

AE Must Adequately Fund Solar and Efficiency Goals & Programs

Austin Energy should add some \$6 to \$10 million for all Conservation Rebate and Incentive Programs, including solar, energy efficiency and weatherization

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Austin Energy is currently proposing to spend \$16.3 million on rebates and incentives for energy efficiency (\$12.3) and solar (\$4). Combined with other expenses for staff, administration and marketing the total budget for conservation and conservation rebates is proposed for \$34 million, or roughly the same amount as in 2011-2012.

However, recent studies such as the KEMA report, and previous experience running the conservation rebate and incentive programs suggest that slightly more money will be needed to keep Austin Energy on course for its 800 MW demand reduction and 200 MW solar goals contained in the Austin Climate Protection and Generation Resource 2020 Plan. We are advocating that roughly \$6 to 10 million more dollars be added to the Conservation Rebate and Incentive Programs, including \$3 to \$6 million more for solar, \$2 million more for low-income weatherization and an additional \$1 to \$2 million for programs aimed at those residents in the 200 to 400 % of federal poverty who do not qualify for completely free weatherization.

Additional factors and issues in energy efficiency goals.

1. 1,000 MW goal. While the council approved an 800 MW goal, City Council asked AE to also study a more aggressive goal. According to the KEMA report, reaching the 1,000 MW goal will be difficult without substantially more monies. However, the study does consider a slightly less ambitious goal based on providing incentives to cover 75% of the incremental costs of more efficient technologies. We would note that the report is heavily biased toward financing through direct rebates and does not consider other kinds of incentives, such as low-interest loan programs or auction programs for commercial and industrial facilities.
2. Weatherization programs. The Generation task force and final Generation Plan also called for continued robust funding for weatherization. While AE has enjoyed about \$2.9 million per year in low-income weatherization funds, about \$2 million of this funding was from the federal government through the stimulus

- funding. If AE is to commit to maintaining similar funding and additional federal funds are not expected, then about \$2 million additional in funds could be needed.
3. Special programs for tenants and those between 200 and 400 percent of poverty. The Task Force and City Council both called on AE to study and create programs specific to these groups of residents. These programs may be slightly more expensive. We would propose creating a pilot project of \$1 to \$2 million to implement these ideas.
 4. Auction System. The Task Force also recommended an auction system for EE programs for commercial and industrial customers, which might actually lead to cost savings.

Solar Goals

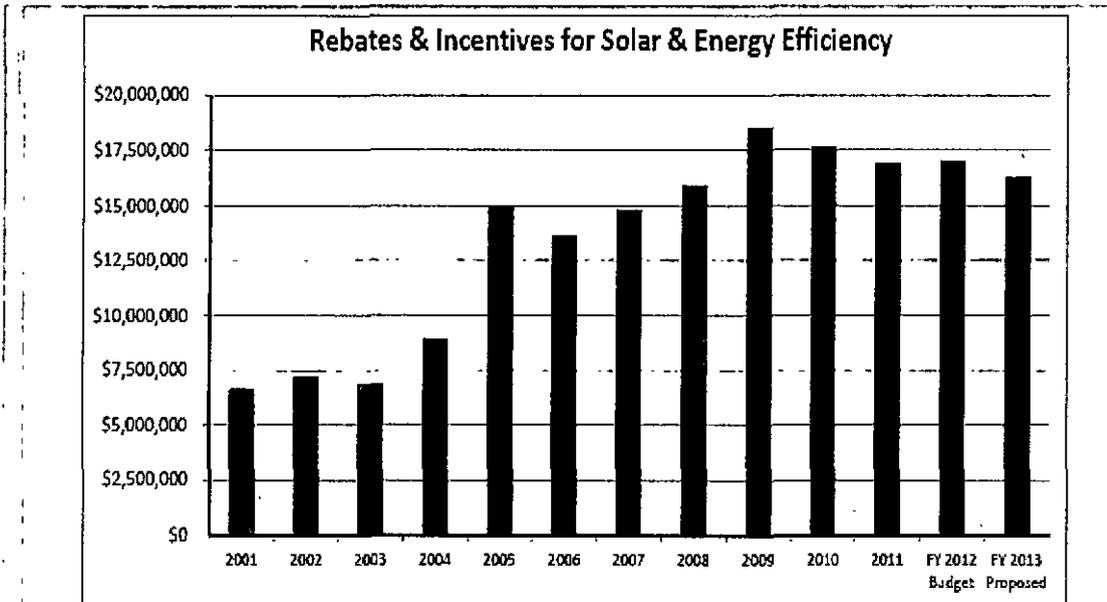
The Generation Plan set up a 200 MW overall solar goal, which could be achieved through utility or distributed resources. In addition, a subsequent draft plan by AE has said that they believe that at least 25 MW of the 200 MW will come from rooftop solar though this document is a "living" document which may be adjusted to incorporate other programs.

Sierra Club also believes that AE may be able to meet the 200 MW goal faster and cheaper with the development of additional programs -- such as the Value of Solar rate recently adopted by City Council -- and new kinds of customers, including distributed solar. City council should work with AE to address to what extent and under what circumstances it can support community solar.

We believe the Council should commit some specific funds as part of the rate proposal to a near-term distributed solar goal. Recently, Solar Austin in advocating for a 300 MW distributed solar goal by 2020, and has suggested a price tag of approximately \$350 million. While this full proposal must still be vetted with city council and the wider community, we would recommend a reasonable but ambitious goal of 10 MWs in 2013, and provide base funding of \$10 million, which assumes a rebate or other incentives of \$1 per watt. We believe building in \$10 million in solar incentives in 2013 will jump start the solar industry and help frame future solar programs in Austin.

Sierra Club recommendations. On Energy Efficiency, AE and City Council should create a multi-year EE plan with an estimated budget that is flexible but would cover the issues raised in the Generation Plan, including the low-income programs. This multi-year plan would be updated annually and include a public input process. The plan should include funding levels for low-income weatherization that are similar to the amount spent in 2010. Based upon our initial analysis, we would recommend that an additional \$4 million be spent on energy efficiency programs, not including solar programs. We would largely put the bulk of these additional dollars into programs targeted at both low-income weatherization and those at 200 to 400 percent of the federal poverty level. **On solar incentives**, AE should develop a multi-year solar plan that is updated annually with public input, and includes budgets for rebates and other incentives. The multi-year solar plan should periodically be assessed to see if there are cost-effective manners to go well

beyond the 200 MW goal. We believe a reasonable budget for solar programs in 2013 would be to allocate \$6 million to the residential program, and \$4 million to the commercial programs, which are paid out over several year. Thus, the total allocation for solar would be \$10 million, though the amount needed in 2013 would be less and we would support an increase in the Energy Efficiency Services Fee recently adopted by Council to achieve this goal.



Fiscal Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012 Amended	2013 Proposed
\$ Rebates Issued (millions)	\$6.7	\$7.2	\$6.9	\$8.9	\$15.0	\$13.6	\$14.8	\$16.0	\$18.6	\$17.6	\$16.9	\$17.1	\$16.3